

U.S. House and Senate Notification
Thursday, May 6, 2010

To: Congressional Health Staff

From: Amy Hall
Director, Office of Legislation
Centers for Medicare & Medicaid Services

Re: CMS Issues Incentive Payments for the First Year of Medicare's
Home Health Pay for Performance Demonstration

The Centers for Medicare & Medicaid Services (CMS) announced today that it is sharing more than \$15 million in savings with 166 home health agencies (HHAs) based on their performance during the first year of the Medicare Home Health Pay for Performance (HHP4P) demonstration. This demonstration is part of CMS' value-based purchasing initiative to improve the quality and efficiency of care furnished to Medicare beneficiaries.

The 2-year demonstration, which began in January 2008 and ended in December 2009, was undertaken to show the impact of financial incentives on the quality of care provided to home health patients in traditional fee-for-service Medicare and their overall Medicare costs. Savings in the program are being shared with agencies that either maintained high levels of quality or made significant improvements in quality of care.

All Medicare-certified home health agencies in seven states representing four U.S. census regions were invited to participate in the demonstration. The Northeast region included HHAs in Connecticut and Massachusetts, the South included HHAs in Alabama, Georgia, and Tennessee, and the Midwest and West regions included HHAs in Illinois and California, respectively.

Results for calendar year 2008, the first year of the demonstration, indicated an aggregate Medicare savings of \$15.4 million for three of the four regions. Medicare savings for the demonstration were determined by comparing total Medicare costs for beneficiaries receiving care from the intervention group's HHAs with the costs for beneficiaries served by the control group's HHAs in the same region.

For the first year of the demonstration, incentive payments are being made to 59 percent of the HHAs in the intervention group based on their performance and improvement on quality measures. For each measure, HHAs that ranked by performance in the top 20 percent in their state, as well as those demonstrating the greatest degree of quality improvement, were eligible to share in Medicare savings generated in their region. In addition to the number of quality measures for which they qualify for an incentive payment, the amount of the incentive paid to an individual HHA is also based on the total number of Medicare patient days associated with that HHA.

CMS will calculate savings and determine which HHAs are eligible for incentive payments for the second year of the demonstration, calendar year 2009, later this year. In addition, the demonstration is still being evaluated, with results also expected later this year.

The Press Release for this announcement is available at:

http://www.cms.gov/apps/media/press_releases.asp

Background about this demonstration can be found at:

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1189406>

If you have any questions about this announcement, please contact the CMS Office of Legislation.